

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

Senate Bill 74 (Chair, Education, Health, and Environmental Affairs
 Committee)(By Request - Departmental - Agriculture)

Education, Health, and Environmental Affairs Environmental Matters

State Tobacco Authority - Repeal

This departmental bill abolishes the State Tobacco Authority and repeals related provisions of State law defining the powers and responsibilities of the authority and regulating the sale of leaf tobacco in Maryland. The bill also requires that any balance remaining in the Tobacco Authority Fund after October 1, 2009, revert to the general fund.

Fiscal Summary

State Effect: General fund revenue increase of \$1,600, reflecting the reversion of the Tobacco Authority Fund balance to the general fund. Expenditures are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	\$1,600	\$0	\$0	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	\$1,600	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: The Maryland Department of Agriculture (MDA) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: The State Tobacco Authority consists of six members appointed by the Governor for three-year terms. The authority has various powers and responsibilities generally relating to the regulation of leaf tobacco sales, including licensing persons involved in the selling and purchasing of leaf tobacco at auction houses, establishing rules for the auction sale of leaf tobacco, establishing and announcing market sales days for tobacco auctions, and allocating daily sales quotas and selling times among commission selling agencies to prevent disorderly market conditions.

Under statute, persons involved in the selling and purchasing of leaf tobacco must be licensed by the authority and pay a license fee. The authority also receives a fee imposed on the sale of tobacco at auction, commonly referred to as the “poundage tax.” Money received by the authority is directed to the Tobacco Authority Fund and used to partially defray the authority’s expenses.

State law also contains a number of other provisions (that are repealed under this bill) generally relating to the sale of leaf tobacco at leaf tobacco markets.

The State Tobacco Authority is one of approximately 70 entities currently subject to periodic evaluation under the Maryland Program Evaluation Act. The Act establishes a process better known as “sunset review” as most agencies evaluated are also subject to termination, including the State Tobacco Authority which is scheduled to terminate July 1, 2011. The sunset review process begins with a preliminary evaluation conducted by the Department of Legislative Services (DLS) on behalf of the Legislative Policy Committee (LPC). LPC decides whether to waive an agency from further (or full) evaluation. If waived, legislation to reauthorize the agency typically is enacted. Otherwise, a full evaluation usually is undertaken the following year.

Background: The State Tobacco Authority was created by Chapter 61 of 1947 to license and regulate tobacco producers, buyers, and sellers in order to alleviate the disorderly conditions surrounding the marketing of leaf tobacco in the State. The authority’s regulatory responsibilities, however, are focused on tobacco auctions, which are no longer held. The last auction was held in March 2006. The authority is now essentially defunct with no staff undertaking activities related to its responsibilities.

The decline and eventual end of tobacco auctions was due, at least in part, to the success of the Maryland Tobacco Transition Program, which was created to compensate tobacco farmers willing to commit to stop growing tobacco. Other factors contributing to the end of tobacco auctions in the State include a shift to direct contract sales, outsourcing to non-U.S. production areas, and reduced consumption of cigarettes. A relatively small

amount of tobacco is still grown in Anne Arundel, Calvert, Cecil, Charles, and St. Mary's counties; this tobacco is sold under direct contracts with tobacco companies.

With the last auction occurring in March 2006, the authority has not generated license fee or poundage tax revenue since fiscal 2006 and has incurred virtually no expenses since that time. However, a special fund balance of \$1,625 remains in the Tobacco Authority Fund.

A preliminary sunset evaluation of the State Tobacco Authority conducted by DLS during the 2008 interim indicated that the authority is no longer needed since auctions of Maryland tobacco have ceased. The evaluation recommended that legislation be submitted this legislative session to remove the authority from statute and revert the authority's \$1,625 fund balance to the general fund. MDA concurred with the evaluation's recommendations, and this bill implements those recommendations.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture, Department of Legislative Services

Fiscal Note History: First Reader - January 21, 2009
ncs/ljm

Analysis by: Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: State Tobacco Authority – Repeal

BILL NUMBER: SB 74

PREPARED BY: Maryland Department of Agriculture

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.